



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF THE CHIEF FINANCIAL AND CHIEF INFORMATION OFFICER

DEC 17 1997

Cynthia L. Johnson, Director  
Cash Management Policy and Planning Division  
Financial Management Service  
U.S. Department of the Treasury  
Room 420  
401 14th Street, SW  
Washington, DC 20227

Dear Ms. Johnson,

We have reviewed the proposed rule for management of Federal agency disbursements (31 CFR Part 208) through the use of Electronic Funds Transfer (EFT) for Federal payments as required by the Debt Collection Improvement Act of 1996. The following comments are provided for your consideration:

o We strongly support the proposal that provides for the Secretary of the Treasury to waive the requirement to make Federal payments by EFT in certain cases. At the Department of Education (ED), we have what we believe to be such a case--the Federal Family Education Loan Program (FFELP). Refunds are provided to borrowers of student loans that have made payments in excess of their debt (during FY 1997, 50,000 one time payments were issued). We do not believe making these refunds electronically is in the best interest of the Government because, in our opinion, the cost of making these non-recurring payments by EFT would exceed the cost of making the payments by check. We would also be burdened administratively with obtaining recipient account numbers and the names and routing numbers for financial institutions since this banking information was not initially captured, thereby, delaying refunds to the borrowers. Additionally, capturing account numbers early does not guarantee a valid account number for refund recipients, because these refunds occur many years after the initial borrowing. I am told that most FFELP refund recipients are borrowers who have defaulted on student loans, and may not have a permanent address or an account with a financial institution.

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o We recommend that Third Party Payment Instruments be recognized as electronic payments because funds are wired daily to the contractor as reimbursement for drafts that have cleared the contractor's bank account. ED incurs no expenditure until such time as the funds are Fedwired to the third party draft contractor. Treasury has included credit card transactions as a form of EFT and the payment process for payments to a third party draft contractor is similar to payments made to the Government's credit card contractor (Rocky Mountain BankCard System).

o We realize that Treasury must monitor agencies' compliance to EFT. However, to minimize the administrative burden, we recommend that reporting be limited to one time per year for those agencies that are in compliance.

o Overall, we believe the proposed rule is moving the Government in the right direction to implementing the Act in a logical and organized manner (converting Federal payments from checks to EFT), but recognizing that situations exist where EFT is not the most efficient payment method.

If you have any questions concerning the above comments, please feel free to contact me by telephone on 401-0897.

Sincerely,



Raymond C. Kudobek  
Director

Cash Management/Travel Support Group

cc: Maureen Smith  
Christine Williams